GOVERNMENT OF INDIA
INFORMATION TECHNOLOGY
LOK SABHA

UNSTARRED QUESTION NO:2559
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GROWTH OF ELECTRONIC SECTOR
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Will the Minister of INFORMATION TECHNOLOGY be pleased to state:

(a) whether the Government have recently set up a Group on Consumer Electronics sector;

(b) if so, the aim, term and objectives of the group;

(c) whether the growth rate of electronic sector in the country have fallen considerably during the past few years;

(d) if so, the factors responsible for such a fall in growth rate of electronic sector; and

(e) the corrective steps taken by the Government in this regard?

Answer

MINISTER OF PARLIAMENTARY AFFAIRS AND COMMUNICATIONS & INFORMATION TECHNOLOGY(SHRI PRAMOD MAHAJAN)

(a) and (b): Yes Sir, a Specialist Group on Consumer Electronics was set up on 10.4.2001. The Group consists of 5 officers from Ministry of IT and President, CETMA. The Term of Reference of the Group is as follows:

`To study the production, exports and technology adoption of the Electronics Hardware industry in India with a special focus on Consumer products and associated components in the context of the global scenario, examine the competitive strengths and weaknesses of Indian industry and infrastructure and financing issues and work out an Action Plan alongwtih policy instruments in order to achieve leadership position in the global market by 2008`.

(c),(d) and (e): The production trends in the electronics sector during last 4 years has been as follows:

Year	Production (Rs. crores) Electronics & Software	Growth %
1997-98	32,070	20.4
1998-99	41,140	28.3
1999-2000	52,450	27.5
2000-01	68,450	30.5

Steps taken by the Government to promote Electronics Hardware sector are at Annexure.

Annexure

Steps taken by the Government to promote Electronics Hardware Sector

1. Export Promotion Capital Goods scheme (EPCG) has been rationalised and eXlended uniformly to all sectors without any threshold limit on payment of 5% duty.

2. Approvals for all foreign direct investment proposals relating to the Information Technology sector, with the exception of Business-

to-conswner (B2C) e-commerce are under the automatic route.

3. Electronics Hardware Technology Park (EHTP) Scheme is implemented under the aegis of the Ministry ofInformation Technology through a single window mechanism of the Inter-Ministerial Standing Committee (IMSC).

4. DTA access upto 50% of the FOB value of export is permitted for eleectronics hardware units under EOU/EPZ/EHTP schemes Broadbanding is permitted in the DTA sales of Hardware units for items covered in the Letter of Permission.

5. Accelerated depreciation norms for computers and computer peripherals for electronic units under Export Oriented schemes (EOU/EPZ/STP/EHTF) have been enhanced. These shall stand depreciated to overall limit of 90% over a period of 3 years instead of around 5 years earlier.

6. Special Economic ZOnes are being set up to enable hasle free manufacturing and trading for export purposes.

7. Value addition nonns for Rupee exports to Russia reduced from 100% to 33% under Advance Licensing Scheme.

8. The Depreciation on Computers has been allowed @ 60%.

9. In the Budget 2001-02, the peak rate of customs duty continues @ 35%. Customs duty surcharge @ 10% has been abolished on all imports, in general but Special Additional Duty (SAD) @ 4% continues on all imports, except specificexemptions. In the 2000-01 Budget, Customs dUty on Computers and Peripherals had been reduced from 20% to 15% andcontinues to be same. The Customs duty on all storage devices, integrated circuits, microprocessors, data display tubes and deflection components of colour monitors also continues at 0%. In the 2001-02 Budget, Customs duty onInformation Technology Agreement (ITA-I) items of WTO (IT and Telecom products) has been reduced from existing 20-25% to 15%. The concessional rate of customs duty for specified raw materials for tbe electronics industry continues. Customs duty on parts of Telecom reduced to 5%. 32 items (additional) of Capital Goods allowed at a concessional duty of 5% for the manufacture of semiconductors.

10. In the Budget 2001-02, tbe Central Excise duty structure has been rationalised from multiple rates to single rateof 16% and single rate of Special Excise Duty (SED) @ 16%.

11. Second hand capital goods upto 10 years old have been made freely importable.

12. Information Technology Software is exempted from Customs and Excise Duty.

13. EOU/EPZ/EHTP units are exempted from payment ofIncome Tax on export profits, upto 2010, in terms of Section 10A and 10B of the Income Tax Act.

14. Exemption of withholding tax on interest on External Commercial Bonowings (ECBs) has been extended to the IT sector.

15. Tax holiday under provisions of Section 80-IA (Infrastructurc Status) has been extended to Internet ServiceProviders (ISPs) and Broadband Network providers.

16. To induce more investment for R&D activities, a weighted deduction of 125% on the sums paid to any university, college or an institution or a Scientific research association for the purposes of scientific, social or statistical research has been provided.

17. Information Technology Act 2000 has been enacted. This act deals with Cyber Security, Cyber Crime and otherinformation security related legal aspects. This will encourage expansion of e-commerce through internet.